

Hamilton CBD retail market overview

INTRODUCTION

This report provides a summary of the Hamilton retail occupier survey conducted in December 2021.

The survey is based on a store-by-store analysis of the Hamilton Central Business District and reports on stock levels, vacancy rates, net uptake and tenancy mix.

In accordance with our definition, retail accommodation within the CBD is defined by street location. In general terms, a store located on a street with good pedestrian traffic and within the central core is categorised as prime, while shops within the core and in close walking distance to high streets are secondary. Those stores located outside the core, or on the fringe are tertiary.

This retail vacancy survey is undertaken on a bi-annual basis in a partnership between CBRE Research and NAI Harcourts.

FIGURE 1: Hamilton CBD retail summary

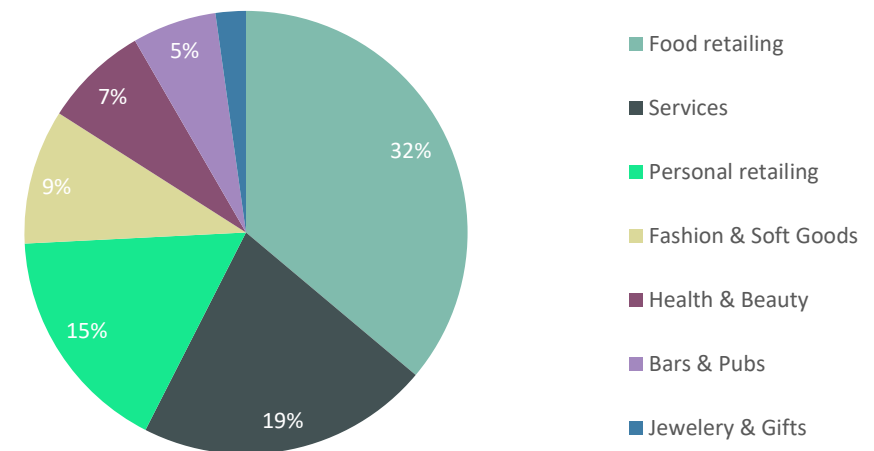
Summary

The CBD retail vacancy rate decreased further in H2 2021, from 5.8% in June to 5.6% in December.

The total amount of vacant space has modestly decreased from 4,520sqm to 4,420sqm in the second half of 2021, with a sizeable decrease in secondary grade, essentially no change in prime grade and a noticeable increase in tertiary grade vacancy.

5,450 sqm of retail stock is currently under refurbishment which is slightly down from 5,760sqm in June 2021.

FIGURE 2: Hamilton CBD retail composition by store type



Retail stock and new development activity

The size of the monitored Hamilton CBD retail stock remained essentially stable in the second half of 2021 and totalled circa 77,500 sqm.

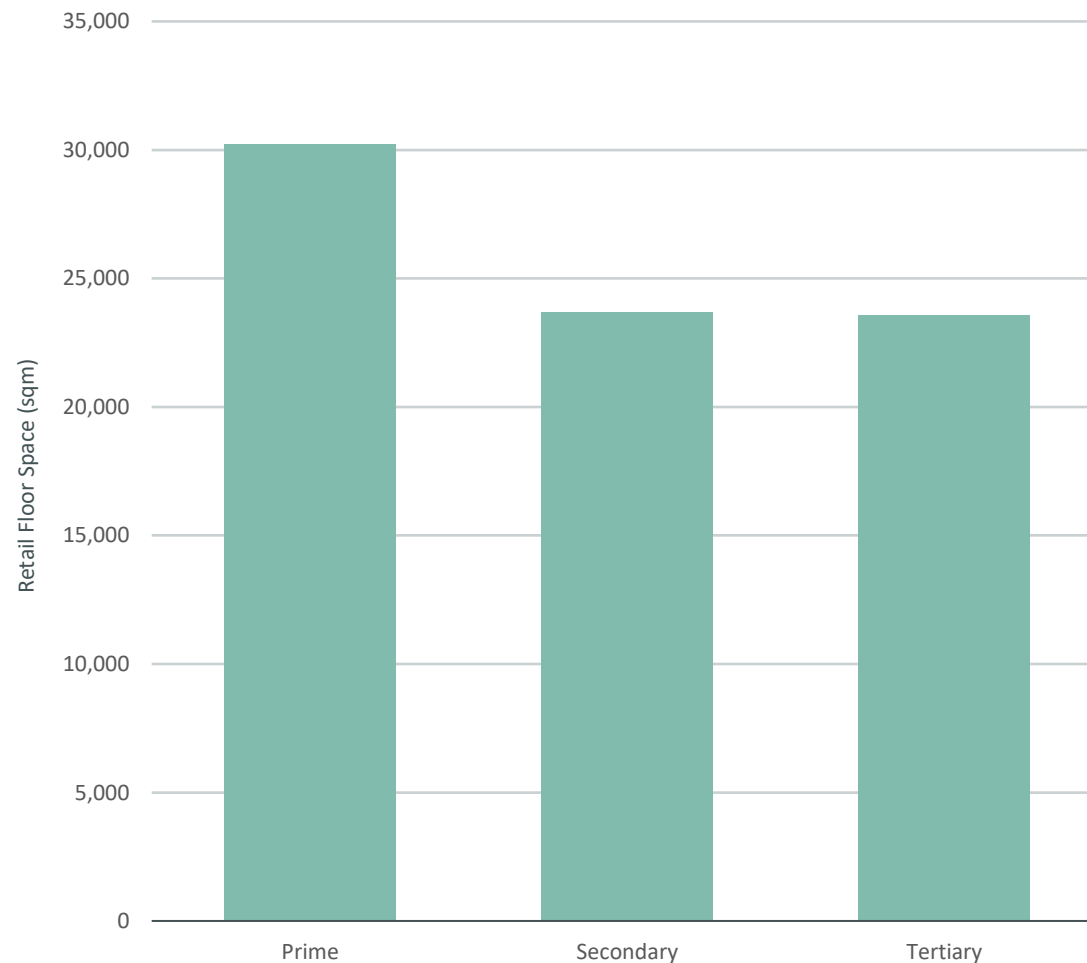
There are currently 30 occupancies that are under refurbishment or fitout and have temporarily been removed from the survey. This is one less than in the previous survey, following the completion of works at 62 Bryce Street for surf, skate and streetwear clothing retailer Backdoor. The total volume of space under refurbishment is circa 5,450sqm.

While there has been no new construction activity recorded in the CBD, several large redevelopments are still underway.

One of the larger redevelopments remains 630-634 Victoria Street, formerly occupied by several smaller tenancies, which is undergoing redevelopment for insurance firm Frank Risk. This represents 615sqm of space.

As of December 2021, Prime retail space accounts for 39.0% or 30,200 sqm of the total CBD retail stock. Secondary stock is 23,700 sqm (30.6%), followed by Tertiary at 23,550 sqm (30.4%).

FIGURE 3: CBD retail stock by grade



Vacancy

The Hamilton CBD retail vacancy rate decreased by 0.2%, moving from 5.8% in June 2021 to 5.6% at the end of the year. Over the six months to December 2021, vacant space decreased by a modest 106sqm.

Prime grade experienced a slight decrease in vacancy, moving from 5.8% in June 2021 to 5.7% in December 2021. This is the lowest vacancy rate the grade has observed since December 2008. Take-ups contributing to the drop in prime vacancy include The Pottery Studio moving to 14 Casabella Lane (ex St Lazzare Café) and a vaping product retailer, VAPO occupying 57 Ward Street, where Flight Centre used to operate from.

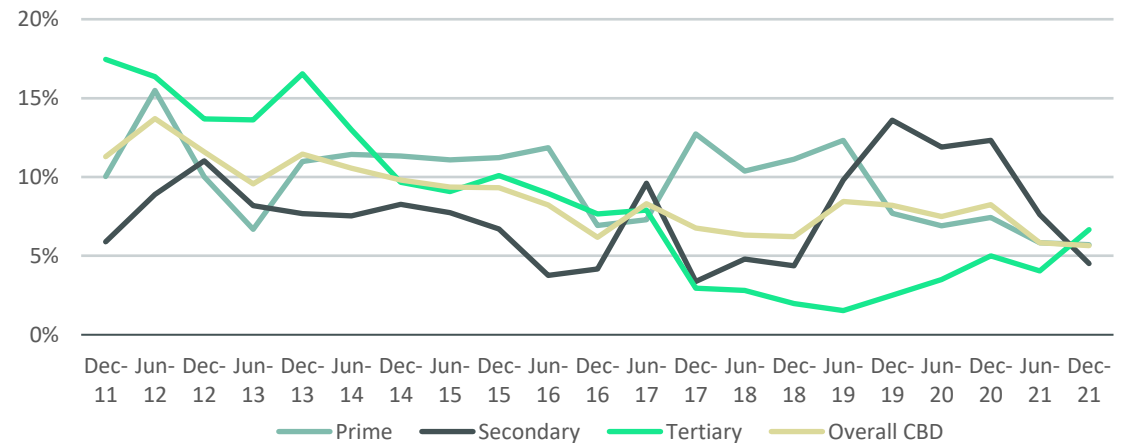
Secondary grade experienced a large reduction in vacancy over the last six months, moving from 7.6% to 4.5%. There were 11 moves into previously vacant premises, including sizeable take-ups of 546sqm at 185 Victoria Street to an owner-occupier and 214sqm at 137 Alexandra Street, now occupied by Hanrad Rugs. Offsetting these, only two new vacancies emerged in H2 2021, a 208sqm unit at 211 Victoria Street (ex Koko Café) and 126sqm at 313 Barton Street, following the relocation of Cartridge World.

As Figure 4 illustrates, tertiary grade vacancy increased markedly, moving from 4.0% in June 2021 to 6.7% in December. Larger new vacancies contributing to this increase include 339sqm at 331 Victoria Street (a restaurant, most recently occupied as a construction site office) and 745sqm at 313 Victoria Street, where the former WINZ offices have been repositioned from office to retail, as the potential future use is more than likely to be retail space.

FIGURE 4: CBD vacancy by grade June – December 2021



FIGURE 5: CBD vacancy by grade 2011-2021



Demand

Retail churn activity, or the changeover from one retail business to another, remained reasonably active during the second half of 2021. Food and personal retailing experienced the majority of growth based on store type, while the total occupied stock of health and beauty as well as services retailers, decreased modestly.

Larger moves contributing to these changes include Pappadomz opening at 231 Victoria Street, a Cotton On Kids pop up shop taking Backdoor’s space at 65 Ward Street and Amari Fashions moving into the ex-Hello Cassie unit at 7 Collingwood Street. In total, there were 19 moves recorded, with a total size of almost 2,400sqm in the latter half of 2021.

The overall net change in occupied stock over the six months was also positive, representing an increase of 801 sqm to bring the overall figure to 73,789sqm. The movement in this figure is largely driven by take-ups of previously vacant space and the reintroduction of refurbished stock that is now occupied, such as Lawson Conveni & Café in Worley Place, The Pottery Studio in Casabella Lane, Unlimited Airsoft Shop and Rako Science, both in Victoria Street, to name a few.

Analysed by grade, there was a positive net absorption in each of the Prime, Secondary, and Tertiary grades, despite the sizeable increase in Tertiary grade vacancy, which was influenced by the repositioning of the ex-WINZ offices to retail rather than any occupancy loss in the grade.

FIGURE 6: Net uptake of CBD retail space by grade

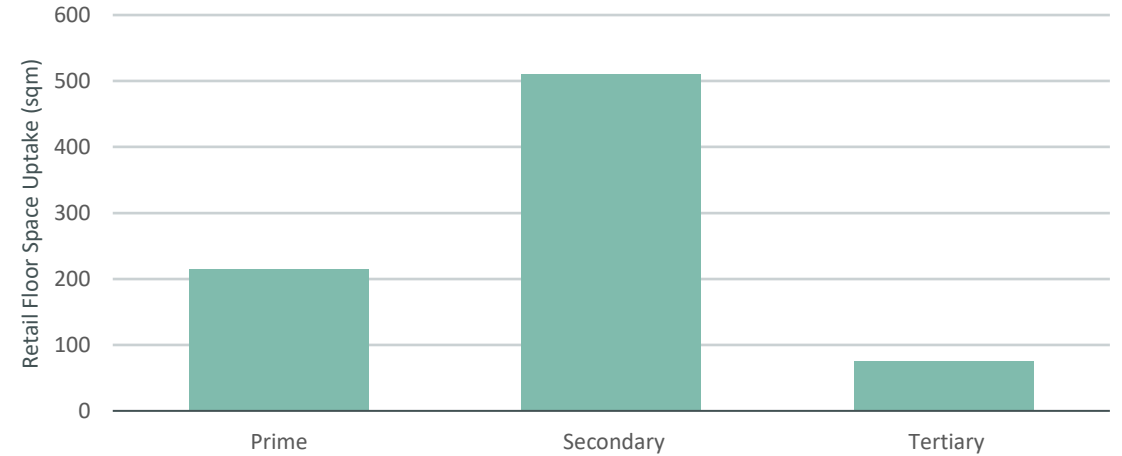
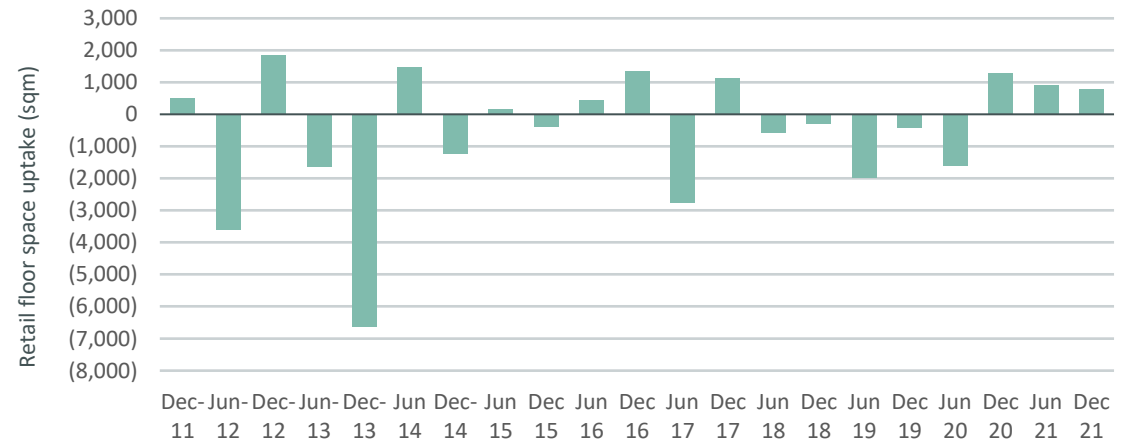


FIGURE 7: Net uptake of CBD retail space 2011-2021



Conclusions and outlook

Overall, the Hamilton CBD retail market has come through the challenges of the second half of 2021 relatively unscathed, with decreasing vacancy, healthy new leasing activity and an encouraging amount of store space being under refurbishment and fit-out.

The strong rebound in retail sales over the last quarter of 2021 supported the steady performance of the retail property sector, and from this perspective, the fact that covid is fast becoming endemic with less and less restrictions on daily life, together with reopening borders, provide a strong platform for growth in 2022, once we have seen the peak of the Covid (Omicron) cases.

And while high inflation and rising interest rates will undoubtedly squeeze household budgets, the transformation of Hamilton's CBD into a niche retail destination is continuing, as are the apartment and housing developments that bring customers into the area to enjoy the benefits of an increasingly vibrant central city, offering a wide range of stores and services available in the central business district.

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